

Message Text

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ORIGIN OES-07

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TO AMEMBASSY CANBERRA
INFO AMEMBASSY OTTAWA

C O N F I D E N T I A L STATE 108932

E.O. 11652: GDS

TAGS: ENRG, TECH, ETRD, AS, US

SUBJECT: US-AUSTRALIAN BILATERAL TALKS ON NON-PROLIFERA-
TION

REF: STATE 060894

1. AUSTRALIAN OFFICIALS HUMPHREYS (FOREIGN AFFAIRS) AND
LARKIN (DEPARTMENT OF NATURAL RESOURCES) MET WITH STATE,
ACDA AND ERDA OFFICIALS APRIL 19-22 FOR DISCUSSIONS ON NON-
PROLIFERATION AND SAFEGUARDS POLICIES, PURSUANT TO PRIME
MINISTER FRASER'S APRIL 4 LETTER TO PRESIDENT CARTER
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(SEPTEL). EXCHANGES WERE CORDIAL, FRANK AND VERY USEFUL.
FOLLOWING IS SUMMARY OF PRINCIPAL POINTS COVERED.

2. HUMPHREYS SAID AUSTRALIA NOW DEVELOPING POLICIES ON
URANIUM EXPORTS; THEIR POSITION VERY FLEXIBLE AT THE
MOMENT SINCE POLICIES WILL NOT BE FINALIZED UNTIL AFTER
SECOND FOX COMMISSION REPORT. AUSTRALIA WISHES TO MAKE
CONTRIBUTION THROUGH EXPORT ARRANGEMENTS TO COMMON NON-
PROLIFERATION OBJECTIVES AND DESIRES CLOSE COORDINATION
WITH US AND CANADA. HOWEVER, ONCE FOX REPORT COMES OUT,

AUSTRALIA WILL BE MOVING RAPIDLY TO ESTABLISH ITS POLICY.

3. SAFEGUARDS: HUMPHREYS INDICATED AUSTRALIAN EXPORT POLICY

WILL BE CONSISTENT WITH IAEA AND ZANGGER ARRANGEMENTS,
WILL REQUIRE BILATERAL AGREEMENTS WITH RECIPIENTS, AND
WILL CONTAIN THE FOLLOWING ELEMENTS:

A) NON-NUCLEAR EXPLOSIVE PROVISION

B) FUEL (OR EQUIVALENT QUANTITY) WILL REMAIN UNDER IAEA
SAFEGUARDS FOR FULL LIFE

C) SUITABLE FALL-BACK SAFEGUARDS

D) AUSTRALIAN CONSENT FOR REEXPORT AND REPROCESSING OF
AUSTRALIAN-ORIGIN FUEL

E) ADEQUATE PHYSICAL SECURITY

F) WILL BE DESIGNED TO STRENGTHEN INTERNATIONAL NON-
PROLIFERATION EFFORTS

G) WILL ALLOW AUSTRALIA TO CHOOSE ITS PARTNERS

4. EXPORT CONDITIONS: FIRST FOX REPORT RECOMMENDED
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AUSTRALIA EXPORT ONLY TO NPT PARTIES. GOVERNMENT AT MIN-
ISTERIAL LEVEL WILL SOON BE CONSIDERING THIS AS WELL AS
ALTERNATIVES, INCLUDING CANADIAN POSITION OF NPT OR FULL-
FUEL CYCLE SAFEGUARDS. HUMPHREYS PROBED FOR US REACTION,
NOTING THAT NPT REQUIREMENT WOULD PRECLUDE EXPORTS TO
FRANCE AND, IF EURATOM REMAINED INFLEXIBLE ON INSISTENCE
ON FREE MOVEMENT WITHIN THE COMMUNITY, THIS COULD RULE OUT
ALL EURATOM COUNTRIES AS POTENTIAL CUSTOMERS FOR AUSTRALIAN
URANIUM.

5. US EXPORT CONDITION: US OFFICIALS NOTED OUR POSITION
MORE COMPLICATED SINCE WE HAVE EXISTING AGREEMENTS WHICH
DO NOT NOW REQUIRE NPT ADHERENCE OR FULL-SCOPE SAFEGUARDS.
WE INDICATED OUR PREFERENCE FOR NPT ADHERENCE, BUT EX-
PLAINED THAT AS ALTERNATIVE WE WOULD BE SEEKING SUPPLIER
ACCEPTANCE OF FULL-SCOPE SAFEGUARD REQUIREMENT AT APRIL
MEETING OF LONDON SUPPLIER GROUP (LSG). WE ALSO HAVE
THIRD OPTION WHICH WE WILL REQUIRE IN NEW AGREEMENTS AND
WHICH REQUIRES RECIPIENT TO HAVE ALL FACILITIES UNDER
SAFEGUARDS AS CONTINUING CONDITION OF US SUPPLY, BUT DOES
NOT INSIST ON FORMAL ACCEPTANCE OF IAEA FULL-SCOPE AGREE-
MENT. WE NOTED THERE SOME ADVANTAGE TO MAINTAINING FLEX-
IBILITY; QUESTION IS WHAT IS BEST TACTIC FOR ACHIEVING
OBJECTIVE.

6. NPT: AUSTRALIANS INQUIRED ABOUT CURRENT US ATTITUDE TOWARD NPT, WONDERING IF USG NOW CONSIDERED NPT HAD

ACHIEVED AS MUCH AS IT COULD AND WAS PROPOSING NEW CONSTRAINTS. WOULD THESE UNDERMINE NPT BY PROVOKING CHARGES OF DISCRIMINATION AND CREATING NEW DISTINCTION BETWEEN THOSE WITH REPROCESSING FACILITIES AND THOSE WITHOUT? US OFFICIALS RESPONDED THAT NPT STILL CENTRAL TO OUR THINKING AND ANY EROSION OF SUPPORT WOULD BE NET LOSS. THERE IS, HOWEVER, CONCERN OVER SPREAD OF CAPABILITIES TO APPROACH NUCLEAR THRESHOLD QUITE LEGALLY, WHICH CONFIDENTIAL

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BASICALLY UNDERMINES ASSUMPTION THAT NPT-SAFEGUARDS CAN PROVIDE TIMELY WARNING FOR DIPLOMACY TO WORK. WE BELIEVE NPT AND IAEA SAFEGUARDS SHOULD BE SUPPLEMENTED, AND WOULD NOT BE WEAKENED BY AVOIDING SPREAD OF REPROCESSING FACILITIES.

7. REPROCESSING CONSENT: AUSTRALIANS SAID THEY ARE CONSIDERING REQUIRING PRIOR CONSENT FOR REPROCESSING OF AUSTRALIAN URANIUM AND THEY ARE NOW STUDYING CRITERIA FOR GIVING CONSENT. EUROPEANS HAVE ASKED FOR GENERIC CONSENT PROVISION OR AT LEAST PRE-SPECIFIED CRITERIA. INITIALLY, AUSTRALIA WILL PROBABLY INCLUDE CONSENT PROVISION IN BILATERAL AGREEMENTS AND WILL DEVELOP CRITERIA LATER. WE HAVE RIGHTS OF APPROVAL OVER US-ORIGIN FUEL IN MOST AGREEMENTS, EXCEPT FOR EURATOM, CANADA AND THE IAEA. WE WILL BE SEEKING TO NEGOTIATE SUCH A PROVISION WITH EURATOM. IN ANY EVENT, WE WILL LIMIT REPROCESSING TO EXISTING PLANTS AND RETAIN VETO RIGHTS OVER DISPOSITION OF ANY DERIVED PLUTONIUM. WE WILL TRY TO HELP ALLEVIATE SPENT FUEL STORAGE PROBLEMS WHICH ARE ONE SOURCE OF PRESSURE FOR REPROCESSING. WE ALSO NOTED POTENTIAL PROBLEM OF MULTIPLE RIGHTS OF CONSENT BY OTHER SUPPLIERS WHICH COULD BE A BURDEN FOR RECIPIENT COUNTRIES. WE URGED SUFFICIENT FLEXIBILITY IN LAWS OR REGULATIONS TO PERMIT US TO DEFER TO EACH OTHER IF DESIRABLE.

8. MULTINATIONAL CENTERS: AUSTRALIANS INQUIRED ABOUT US ATTITUDE TOWARD REGIONAL REPROCESSING CENTERS. US REPLIED THAT IN SHORT RUN WE ARE LESS ENTHUSIASTIC SINCE WE BELIEVE REPROCESSING REPRESENTS SERIOUS PROLIFERATION RISK AND IS NOT JUSTIFIED AT THIS POINT IN TIME BUT IN LONGER TERM IT MAY BE A POSSIBILITY IF REPROCESSING IS NECESSARY, E.G. TO SUPPORT BREEDER REACTORS. WE ALSO CONTINUE TO SEE POSSIBILITIES FOR INTERNATIONAL SPENT FUEL STORAGE REGIME, BUT WE DO NOT FAVOR INTERNATIONAL PLUTONIUM STORAGE SINCE WE BELIEVE IT WOULD TEND TO CONFIDENTIAL

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LEGITIMIZE REPROCESSING.

JAPAN: AUSTRALIANS INQUIRED ABOUT OUR RECENT TALKS WITH JAPANESE. US OFFICIALS SAID WE HAVE BEEN AUTHORIZED TO EXPLORE VARIOUS QUESTIONS WITH JAPANESE TEAM, BUT NOT

NEGOTIATE. WE CANNOT MAKE FAVORABLE SAFEGUARDABILITY DETERMINATION ON REPROCESSING AT TOKAI IN JAPAN AFTER DEFERRING INDEFINITELY REPROCESSING AT BARNWELL, SOUTH CAROLINA. WE WILL CONTINUE TO LOOK FOR WAYS TO PUT TOKAI INTO LARGER FRAMEWORK OF OUR EVALUATION PROGRAM. AUSTRALIA NOTED IN CONCLUDING SESSION THAT THEY WERE UNDER CONSIDERABLE PRESSURE IN FORMULATING THEIR POLICIES FROM BOTH EUROPEANS AND JAPANESE AND THEY WILL HAVE TO TAKE INTO ACCOUNT OVERALL RELATIONS.

10. INTERNATIONAL FUEL CYCLE EVALUATION PROGRAM: US OUTLINED PROPOSAL FOR INTERNATIONAL EVALUATION PROGRAM ALONG THE LINES OF STATE 91828. WE EXPRESSED STRONG HOPE THAT AUSTRALIA WOULD PARTICIPATE AND PERHAPS TAKE A LEAD ROLE, ESPECIALLY IN STUDIES OF URANIUM AVAILABILITY.

11. FUEL ASSURANCES: US STRESSED IMPORTANCE OF ASSURED FUEL SUPPLIES AS INCENTIVE FOR COUNTRIES TO COOPERATE IN NON-PROLIFERATION EFFORTS. NOTED NEED FOR BOTH SUPPLY OF URANIUM ORE AND ENRICHMENT SERVICES. WE OUTLINED POSSIBLE THREE-TIER APPROACH TO FUEL ASSURANCES: (1) BILATERAL AGREEMENTS, (2) MULTILATERAL ARRANGEMENTS, INCLUDING WAYS FOR SUPPLIERS TO BACK EACH OTHER UP AND PERHAPS INCLUDING CROSS-INVESTMENT IN ENRICHMENT FACILITIES, AND (3) AN INTERNATIONAL FUEL BANK FROM WHICH RECIPIENTS COULD DRAW DOWN FUEL IN THE UNLIKELY EVENT THAT SUPPLIES WERE BLOCKED. AUSTRALIANS EXHIBITED SOME SKEPTICISM ABOUT SCHEME ON GROUNDS IT DIFFICULT TO HAVE A POLITICAL INTERNATIONAL REGIME AND UNEASINESS OVER EFFECT ON MARKET MECHANISM AND NORMAL COMMERCIAL ARRANGEMENTS. HOWEVER, THEY EXPRESSED CONFIDENTIAL

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WILLINGNESS TO EXPLORE QUESTION FURTHER AFTER WE HAVE ELABORATED OUR IDEAS.

12. PHYSICAL SECURITY: WE PASSED AUSTRALIANS COPY OF THE DRAFT PHYSICAL SECURITY CONVENTION WE ARE SURFACING IN VIENNA AND URGED THEIR CONSIDERATION OF OUR PROPOSAL.

13. COMMERCIAL ASPECTS: AUSTRALIANS STRESSED COMMERCIAL AND POLITICAL PROBLEMS THEY FACE WITH SIX MINES READY TO GO INTO PRODUCTION AS EARLY AS 1981-82. THEY ARE CONCERNED ABOUT ASSURED MARKETS AND ANXIOUS TO AVOID DESTABILIZING PRICE STRUCTURE. US OFFICIALS STRONGLY EMPHASIZED

PRIORITY WE ATTACH TO NON-PROLIFERATION CONCERNS OVER
COMMERCIAL CONSIDERATIONS.

14. ENRICHMENT: AUSTRALIANS EXPRESSED INTEREST IN ENRICH-
MENT CAPACITY TO OBTAIN ADDED VALUE FROM PROCESSING RAW
URANIUM AND WILLINGNESS TO ACCEPT "BLACK BOX" ENRICHMENT
FACILITIES IN AUSTRALIA. THEY ALSO INDICATED PLANS TO

INCLUDE PROVISION IN URANIUM SUPPLY CONTRACTS GIVING
AUSTRALIA THE OPTION TO PROVIDE MATERIAL IN ENRICHED FORM
IN THE FUTURE. THEY DESCRIBED FEASIBILITY STUDY NOW
UNDERWAY WITH JAPAN AND NOTED THAT URENCO (THE UK, FRG-
NETHERLANDS URANIUM ENRICHMENT CONSORTIUM) ALSO INTERESTED
IN INITIATING STUDY. US OFFICIALS NOTED PRESIDENT'S
APRIL 7 STATEMENT EMBARGOING ENRICHMENT AND REPROCESSING
TECHNOLOGY. WE EXPRESSED UNDERSTANDING OF AUSTRALIAN
INTEREST IN ENRICHMENT AND SUGGESTED POSSIBILITY OF SOME
KIND OF INVESTMENT (PERHAPS USING AUSTRALIAN ORE) IN US
ENRICHMENT CAPACITY. WE DO NOT RULE OUT IN LONG RUN
DEVELOPMENT OF MULTINATIONAL CENTERS INCLUDING ENRICHMENT
FACILITIES.

15. AUSTRALIANS URGED THAT WE "SORT OUT" ONLY REAL PRO-
BLEM BETWEEN US IN NUCLEAR AREA, NAMELY PENDING ANTI-
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TRUST CASE INVOLVING MARY KATHLEEN EXPORTS TO COMMONWEALTH
EDISON IN CHICAGO (REFTEL).

16. BOTH SIDES AGREED THAT WE NEED TO CONTINUE CLOSE CON-
SULTATIONS AND US OFFICIAL SUGGESTED THAT NEXT TALKS
INCLUDE MARKETING PROBLEMS, THE FUEL ASSURANCE SCHEME
AND INTERNATIONAL EVALUATION PROGRAM. WE MIGHT CONSIDER
TRILATERAL TALKS WITH THE CANADIANS. CHRISTOPHER

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